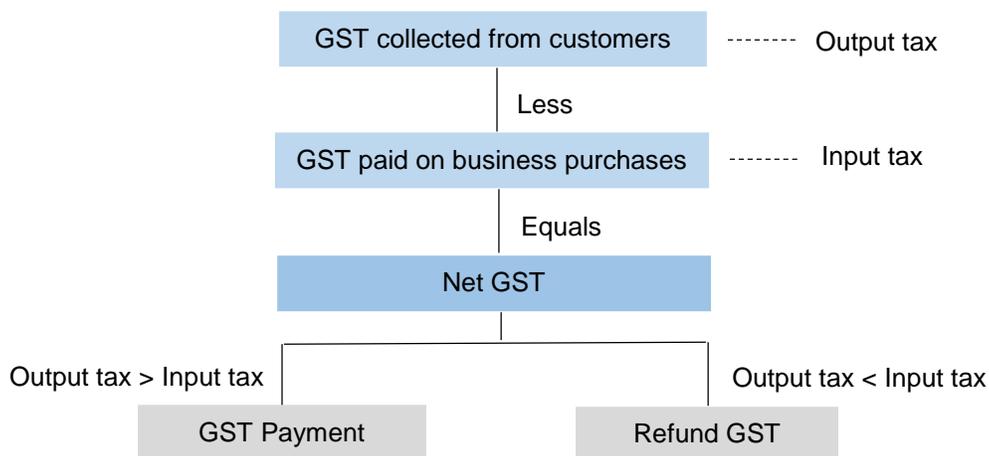


Goods and Services Tax (GST)
Frequently Asked Questions (FAQs)

1. What is GST? How does GST work?

Goods and Services Tax (GST) is a multi-stage broad-based consumption tax based on the value-added concept. GST replaces the current consumption taxes, that is to say the sales tax and the service tax.

Illustration: How GST works



2. What do you mean by value-added concept?

We understand the term to mean that payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the “value added” at each stage is taxed, thus avoiding double taxation.

Illustration: Supply of Coin Box

	Purchase Price (RM)	Sales Price (RM)	Net GST payable (RM)
Intermediary 1 – Raw material supplier	0	10.00	
Input tax - GST paid at 6%	0		
Output tax - GST collected at 6%		0.60	0.60
Intermediary 2 – Coin Box manufacturer	10.00	20.00	
Input tax - GST paid at 6%	0.60		
Output tax - GST collected at 6%		1.20	0.60
Intermediary 3 - Bank	20.00	40.00	
Input tax - GST paid at 6%	1.20		
Output tax - GST collected at 6%		2.40	1.20
Total GST paid by end consumer / collected by Customs			2.40

3. Can businesses claim input tax on the GST paid for banking services/products?

A person who is registered under GST is required to charge GST on the sales of taxable goods or services made to his customers (output tax). The taxable person is allowed to claim the credit on any GST incurred by him in the business to enable him to make his taxable supplies (input tax).

The ability of each business to claim input tax would depend on several factors, including whether the business/merchant is registered for GST, whether the GST paid forms part of the allowable input tax and the type of supplies made (i.e. whether taxable or exempt).

4. When will the GST be implemented in Malaysia?

GST will be implemented nationwide from 1 April 2015.

5. What is the rate of GST?

At present, the GST rate is 6%.

6. What is the scope of coverage of GST?

GST will be imposed on all goods and services made in Malaysia by a taxable person as well as imported goods and services unless specifically exempted or zero-rated.

7. Will the banks be absorbing the GST on behalf of the customers?

Banks are guided, in the main, by the Goods and Services Tax Act 2014 and the Goods and Services Tax (Exempt Supply) Order 2014. GST is a consumption tax and banks are merely acting as the collecting agent for GST. The banks cannot absorb GST payable in respect of the various fees and charges as there are no legal provisions in that regard.

8. What are standard rated, zero rated and exempt supplies?

In the context of commercial banking, supplies would be commercial banking products and services.

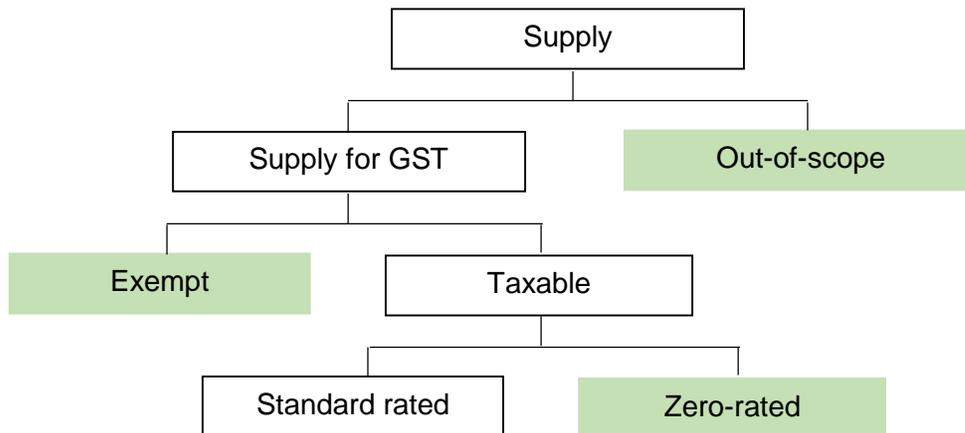
We have taken the liberty to extract from Royal Malaysian Customs' GST Guide on Commercial Banking (revised as at 4 January 2014) as follows:-

Standard rated supplies are taxable supplies of goods and services that are subject to standard rate GST of 6%. A supply is standard rated if there is a basic charge or a fixed fee being imposed on the supply. Fee based services are standard rated supplies. Examples of fee based services are loan processing, rental services and safe keeping or custodial services.

Zero rated supplies are taxable supplies that are subject to zero rate. Commercial banking services rendered for customers abroad will be zero-rated if he is outside Malaysia at the time the services are rendered. Similarly, any commercial banking service rendered in connection with land and goods situated outside Malaysia is also zero rated.

Exempt supplies are non-taxable supplies. A supply is exempt if the consideration is in the form of an interest or spread. These supplies would include, but are not limited to, the provision of loans, credit or advances, exchange of currency or traveller's cheques and the trading of financial options or futures contract.

Illustration: Types of Supply



9. Why are some products/services listed as “out of scope”?

Transactions can be out of scope for a number of reasons, which are summarized as follows:-

- a. Compensatory in nature: Such amounts / payments are not subject to GST and therefore are treated as out of scope by the bank.
- b. Pass through cost by the bank: This means that the bank is merely paying for services on behalf of the Customer. The underlying transaction remains taxable (where applicable), but the tax invoice will be issued to the Customer by the service provider directly (if the tax invoice has not been issued earlier to the bank). The bank will not charge an additional GST, but will deduct the GST inclusive amount from the customer’s account to pay the service provider
- c. Items which are not supplies under the Goods and Services Tax Act 2014 and are not subject to GST.

10. Are services and products offered by commercial banks subject to GST?

It depends on the type of products and services offered. For the treatment of GST on bank products and services, please refer to the list **here**.

11. How will I know the GST treatment on selected bank products/services?

Please refer to the list **here**. If the bank product/service is not in the list, kindly check with your bank as the product/service may be called by a different name.

In addition please note that:-

- a. ABM has organized the list in accordance with a product/service for easier reference. Thus, an item may appear more than once on the list if it is relevant to more than one product/service. For example, "courier delivery fee" appears in relation to Card Services and Trade Services.
- b. Some banks may not charge a fee or payment for a product/service or may waive the same. For example, some banks do not charge a fee for interbank Giro (IBG) transactions.
- c. A bank may have reasons to take a different approach which may give rise to a different GST treatment. For example, some banks may treat legal fees in a recovery situation as reimbursements by their customers and not disbursements in the form of pass through costs (recovered from their customers), in which event the legal fees will be standard rated and not out-of-scope.
- d. In the rare event of a discrepancy, the bank's list will prevail.

12. Will I be charged GST for the interest received from the bank for my fixed deposits, savings and/or current accounts?

No. Interest paid by commercial banks to banking customers as a result of deposit taking through various types of accounts (savings, current, fixed deposit or similar accounts) will not be subject to GST. However, the fees and charges imposed for services provided in relation to the operation of these accounts, such as electronic funds transfer, encashment, provision on bank statements are subject to GST.

13. Are loans, hire purchase or other financing facilities subject to GST?

You will not be charged with GST on the drawdown of the loan and the payment of the monthly loan instalment payments or interest on the loan. However, service charges and fees related to the loan such as documentation fee, loan application fee, redemption statement request fee and/or processing fees are subject to GST.

All fees and commissions (unless the commission is a spread) charged for trade finance products and services other than for the purpose of export will generally also be subject to 6% GST.

14. Will I be charged with GST for transmitting or remitting money?

The transmitting of money or remittances will not be subject to GST. However, the commission levied for the issuance of a cashier's order or a demand draft and tele-transmission charges will attract GST.

15. Will there be GST charges for online banking (for inter-bank transfer) and online bill payment?

Yes, the fee, if any, charged by the bank for interbank GIRO (IBG) fund transfer and for online bill payment will be subject to GST. Online transactions which are provided free-of-charge by the bank (e.g. transfers to own account or third party accounts within the same bank) would not be subject to GST.

Please note that GST will be charged on the fee portion only, and not on the amount transacted (e.g. bill amount paid or sum transferred).

16. Are there GST charges for the issuance of cheques?

The issuance of a cheque by a drawer for payment is not subject to GST. However, the cheque processing fee will be subject to GST. In addition, the cost of the cheque book (excluding stamp duty) and the service fee for encashment of the cheque over the counter will attract GST.

17. Will I be charged GST when I use my credit/debit card to pay for purchases?

No, you will not have to pay GST on top of the price of your purchases when you make payment using your credit or debit card.

For example, if a person eats at a restaurant which is registered for GST, and his bill comes up to RM50, he will be charged GST at 6% on the total bill. Thus the amount he needs to pay would be RM53 (i.e. RM50 + 6%). If he then chooses to pay for his bill using his credit/debit card, he will not be charged a further 6% on top of the RM53.

18. How will GST be imposed on credit cards?

The fees / charges related to credit cards and the corresponding GST treatment for the same from a cardholder's perspective is as follows:-

Annual fee - This is a flat fee which is payable annually once you accept the credit card. There will be GST at the rate of 6% imposed on the annual fee.

Some banks may waive the annual fee upon request, and in such cases there will be no GST payable.

Service tax - Since 1 January 2010, a service tax of RM50 a year has been imposed on each principal credit card and charge card, and RM25 a year on each supplementary card.

The GST Act provides that the Service Tax Act 1975 is repealed.

Late payment charge - This is a charge when the cardholder fails to pay at least the minimum monthly payment by the due date. There will be no GST imposed on the late payment charge.

Finance charges - These are charges imposed on the credit card holder by the credit card issuer on the outstanding balance which has not been settled on or before the payment due date. There will be no GST imposed on the finance charges.

GST is also payable with respect to card fees if any for debit and charge cards.

19. Will I still need to pay the RM50 service tax on my credit card after 1 April 2015?

No. As the RM50 “yearly fee” which is imposed on each principal card is actually a service tax levied pursuant to the Service Tax Act 1975 and the GST Act provides that the Service Tax Act 1975 is repealed. Instead, the annual subscription fee charged for a credit card will be subject to GST unless the fee is waived by the bank concerned.

20. Is the merchant discount rate charged by banks on merchants subject to GST?

The merchant discount rate or merchant fee is paid by a merchant to a bank mainly for the provision of payment card services by the bank. The rate is determined based on factors such as volume and average ticket price and is agreed upon between the merchant and the bank concerned. The merchant discount rate or merchant fee will be subject to GST at the standard rate of 6%.

The merchant discount rate or merchant fee including the GST is to be borne by the merchant itself and is not to be passed on to the customers.

21. Are late payment charges subject to GST?

No. Late payment charges or similar fees which are imposed to compensate for loss, damages or in cases where the customer fails to meet certain requirements or conditions are not subject to GST.

22. I need to apply for a replacement card as my ATM/debit/credit card was lost/damaged. Will I need to pay GST when replacing the card?

No, the fee charged if any for replacement of lost/damaged card is out of scope and will not attract GST.

23. How will I know how much my bank will charge me for a bank service/ product which is subject to GST?

Please contact your bank for the revised fee/charges which includes GST for each product/ service. ABM member banks will be publishing the detailed price listing at their banking premises or, as the case may be, in their respective websites. Commercial banks will issue a valid tax invoice for all standard-rated supplies.

24. What would the banks be issuing by way of tax invoices?

Depending on the approach taken by the individual banks, the types of tax invoices issued will in the main be as follows:-

- a. A full tax invoice envisaged by the GST Act such as bank statements or universal vouchers which may be issued on monthly, quarterly, half yearly or on a yearly basis; or
- b. A simplified tax invoice as provided for in the GST Act which may take the form of transaction slips (based on a per transaction basis) and other transactional documents such as remittance slips or telegraphic transfer orders.

25. If I make the same type of e-payment transactions several times, how would GST be charged?

GST if applicable will be charged based on per transaction basis and each transaction attracts GST as soon as a fee or charge is levied at the end of each transaction. This is in the main because on-line payments occur at the end of each transaction regardless of the number of transactions effected.

For example:-

Where an Interbank GIRO (IBG) transaction performed online via internet banking and mobile banking is charged a fee of 10 sen, it will with effect from 1 April 2015 attract GST of 1 sen (10 sen x 6% = 0.6 sen and then rounded to the nearest 1 sen).

Therefore the cost of 10 IBG transactions will be calculated by multiplying the cost per transaction of 11sen as explained above by 10, i.e. 10 transactions X RM0.11 (GST inclusive) = RM1.10.

Note: Banks will usually have a different approach for bulk payments or cash management.

26. If I make payments over the counter, how would GST be charged?

For over the counter transactions, the amount payable inclusive of GST if applicable will be rounded down or up to the nearest multiple of 5 sen.

Please find below the following examples:-

- a. Scenario 1* (this is by way of illustration only):-

1 third-party cheque encashment transaction at RM2 per transaction = 1 transaction X [RM2 + (RM2 X 6%)] = 1 X RM2.12 = RM2.12

The payment for the third-party cheque encashment transaction performed (GST inclusive) will be rounded down (to the nearest multiple of 5 sen) to RM2.10.

b. Scenario 2* (this is by way of illustration only):-

Cost of application for 1 debit card at RM8 per card = 1 card X [RM8 + (RM X 6%)] = 1 X RM8.48 = RM8.48

The debit card issuance fee (GST inclusive) will be rounded up (to the nearest multiple of 5 sen) to RM8.50.

27. If I make a withdrawal from the ATM of another bank where I do not maintain an account, would GST be imposed on the amount I withdraw?

No, the GST is only charged on the MEPS interbank fee of RM1.00 (for withdrawals made from local banks' ATMs) and not on the amount you withdraw. Further, there is no GST imposed for withdrawals made from ATMs of the bank where you maintain an account with unless the bank imposes a fee or charge for withdrawals in excess of a prescribed number a month.

28. Transactions at Designated Areas (DA), i.e. Labuan, Langkawi & Tioman

All fees in connection with products and services supplied through the commercial bank branches in the DA would be considered as standard rated, with the exception of safe deposit boxes located at DA or bank merchandise sold in the DA. The rationale for the fees to be standard rated is because the processing of information systems and documentation is conducted outside of the DA.

29. Is stamp duty subject to GST?

Stamp duty is not subject to GST.

30. Where can I obtain more information on GST?

Please refer to the official website of the Royal Malaysian Customs Department at <http://gst.customs.gov.my> for more GST-related information, legislations and guidelines.